

TOWNSHIP OF CALIFORNIA

FINANCIAL STATEMENT

MARCH 31, 2005

AUDITING PROCEDURES REPORT
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>California Township</u>	County <u>Branch</u>
Audit Date	Opinion Date	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | | |
|------------------------------|--|---|
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

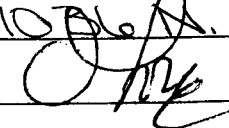
Certified Public Accountant (Firm Name) <u>David F. Lacey, CPA P.C.</u>			
Street Address <u>6700 N. M-166</u>	City <u>Sturgis</u>	State <u>MI</u>	ZIP <u>49091</u>
Accountant Signature 			

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David F. Locey, CPA, PC

P.O. Box 7037
67036 N. M-66
Sturgis, MI 49091

(269)-651-4225 Phone
(269)-651-1989 Fax

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of California
Branch County, Michigan

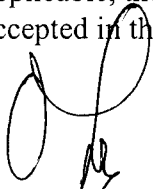
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of California, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of California, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in the notes to the financial statements, management has not reported its financial statement under GASB 34 reporting format. As a result, no management discussion and analysis report, government wide statement of net assets, or government wide statement of activities is included. Management has not recorded certain general assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United State of America, the financial position of the governmental activities of the Township of California, Michigan, as of March 31, 2005, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Township of California, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'D. Lacey', with a large loop at the end.

David F. Lacey, CPA, PC
Sturgis, Michigan
September 2, 2005

Township of California
Combined Balance Sheet - All Fund Types
For the Year Ended March 31, 2005

	Governmental Fund Types	Fiduciary Fund Type	
	General Fund	Tax Collection Fund	Total (Memorandum Only)
ASSETS			
Cash in Bank	\$166,998	\$26,372	\$193,370
Taxes Receivable	1,578	0	1,578
Interest Receivable	242	0	242
Due From Tax Fund	15,909	0	15,909
Revenue Sharing Receivable	14,480	0	14,480
Total Assets	<u>\$199,207</u>	<u>\$26,372</u>	<u>\$225,579</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$776	\$0	\$776
Accrued Payroll Taxes	135	0	135
Due to General Fund	0	15,909	15,909
Due to Other Governmental Unit	0	10,463	10,463
Total Liabilities	911	26,372	27,283
Fund Balance	<u>198,296</u>	<u>0</u>	<u>198,296</u>
Total Liabilities and Fund Balance	<u>\$199,207</u>	<u>\$26,372</u>	<u>\$225,579</u>

Township of California
Statement of Revenues, Expenditures, and Changes
in Fund Balances - General Fund
For the Year Ended March 31, 2005

Governmental
Fund Type

General

REVENUES

Property Taxes - Administration Fees	\$17,516
State Revenue Sharing	65,484
Charges for Services:	
Cemetery	(100)
Interest	2,452
Miscellaneous	<u>73</u>
 Total Revenues	 85,425

EXPENDITURES

Legislative:	
Township Board	4,909
General Government:	
Supervisor	2,558
Elections	2,151
Assessor	3,875
Clerks	6,883
Board of Review	576
Treasurer	5,939
Building and Grounds	2,496
Cemetery	10,189
Public Safety:	
Fire Protection	9,000
Public Works:	
Highways and Streets	13,056
Drains	1,405
Other:	
Insurance	3,348
Contingency	0

Township of California
Statement of Revenues, Expenditures, and Changes
in Fund Balances - General Fund(Continued)
For the Year Ended March 31, 2005

Governmental
Fund Type

General

Total Expenditures	<u>66,385</u>
Excess of Revenues over (under) Expenditures	19,040
FUND BALANCE - April 01, 2004	<u>179,256</u>
FUND BALANCE - March 31, 2005	<u><u>\$198,296</u></u>

Township of California
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - General Fund
For the Year Ended March 31, 2005

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property Taxes - Administration Fees	\$16,000	\$17,516	\$1,516
State Revenue Sharing	29,945	65,484	35,539
Charges for Services:			
Cemetery	600	(100)	(500)
Interest	260	2,452	2,192
Miscellaneous	0	73	73
Total Revenues	46,805	85,425	38,820
EXPENDITURES			
Legislative:			
Township Board	14,437	4,909	9,528
General Government:			
Supervisor	2,520	2,558	(38)
Elections	1,500	2,151	(651)
Assessor	3,110	3,875	(765)
Clerks	4,200	6,883	(2,683)
Board of Review	500	576	(76)
Treasurer	4,200	5,939	(1,739)
Building and Grounds	3,000	2,496	504
Cemetery	7,500	10,189	(2,689)
Public Safety:			
Fire Protection	10,000	9,000	1,000
Public Works:			
Highways and Streets	68,500	13,056	55,444
Drains	5,000	1,405	3,595
Other:			
Insurance	5,000	3,348	1,652
Contingency	4,834	0	4,834

Township of California
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual - General Fund(Continued)
For the Year Ended March 31, 2005

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Total Expenditures	134,301	66,385	67,916
Excess of Revenues over (under) Expenditures	(87,496)	19,040	106,736
FUND BALANCE - April 01, 2004	179,256	179,256	0
FUND BALANCE - March 31, 2005	<u>\$91,760</u>	<u>\$198,296</u>	<u>\$106,736</u>

Township of California, Branch County, Michigan
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of California, Branch County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection is used to account for assets held as an agent for others.

Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements contain all the funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

NOTE 1 - Summary of Significant Accounting Policies

Measurement Focus/Basis of Accounting (continued)

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township's 2004 taxable value was \$14,847,163.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. The Township has not maintained the General Fixed Assets Group of Accounts which is required by generally accepted accounting principles.

Investments

Investments are stated at market value all represented by money market accounts.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. Public hearings are held to obtain taxpayer comments.
3. The budgets are adopted at the activity level by a majority vote of the Township Board.
4. The budgets are adopted on the modified accrual basis of accounting.
5. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
6. Budget appropriations lapse at the end of each fiscal year.
7. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

NOTE 2 - Postemployment Benefits

The Township provides no postemployment benefits to past employees.

NOTE 3 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Township of California, Branch County, Michigan
Notes to Financial Statements - Continued
For the Year Ended March 31, 2005

NOTE 4 - DEPOSITS

The Government Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

	Balance Sheet Balance
<u>Deposits</u>	
Uninsured FDIC	\$66,998
Insured FDIC	<u>126,372</u>
Total Deposits	<u><u>\$193,370</u></u>

NOTE 5 - Pension Plan

The Township has no pension plan.

NOTE 6 - Deferred Compensation Plan

The Township has no deferred compensation plan.

NOTE 7 - Total - Memorandum Only

The general purpose financial statements present total columns for the year ended March 31, 2005, which aggregate the columnar statements by fund type. These columns are presented only for comparative purposes and should not be construed as presenting consolidated financial information.

NOTE 8 - GASB 34 Reporting Financial

Township has elected not to convert to GASB 34 format, therefore assets owned by the Township such as building and equipment are not stated at current values as of 03/31/05, also no current charge is being recorded for current year depreciation. Accordingly the Management and Discussion Analysis Letter, Statement of Net Assets, and Statement of Activities are not included per GASB 34 format.

Township of California
General Fund
Balance Sheet
For the Year Ended March 31, 2005

ASSETS

Cash in Bank	
Taxes Receivable	\$166,998
Interest Receivable	1,578
Due From Tax Fund	242
Revenue Sharing Receivable	15,909
	<u>14,480</u>
Total Assets	<u>\$199,207</u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts Payable	\$776
Accrued Payroll Taxes	135
	<u>911</u>
Total Liabilities	
	911
Fund Balance	
Unreserved	
	<u>198,296</u>
Total Liabilities and Fund Balance	<u>\$199,207</u>

The Notes to Financial Statements are an integral part of this statement.

Township of California
General Fund Expenditures by Detailed Account
For the Year Ended March 31, 2005

Township Board	
Fees and Per Diem	\$1,837
Dues	347
Payroll Taxes	1,005
Supplies - Miscellaneous	<u>1,720</u>
Total Township Board	4,909
Supervisor	
Salary	2,521
Supplies	<u>37</u>
Total Supervisor	2,558
Elections	
Per Diem	1,783
Supplies	27
Printing and Publishing	111
Repairs and Maintenance	<u>230</u>
Total Elections	2,151
Assessor	<u>3,875</u>
Total Assessor	3,875
Clerk	
Salary	4,200
Supplies/Repairs/Miscellaneous	1,024
Software	<u>1,659</u>
Total Clerk	6,883
Board of Review	
Wages	375
Publications	<u>201</u>
Total Board of Review	576

Township of California
General Fund Expenditures by Detailed Account (Continued)
For the Year Ended March 31, 2005

Treasurer	
Salary	4,200
Supplies/Repairs/Miscellaneous	1,601
Equipment	138
	<hr/>
Total Treasurer	5,939
Building and Grounds	
Telephone/Utilities	2,496
	<hr/>
Total Building and Grounds	2,496
Cemetery	
Sexton	5,090
Professional	5,099
	<hr/>
Total Cemetery	10,189
Fire Protection	
Contracted Services	9,000
	<hr/>
Total Fire Protection	9,000
Highways and Streets	
Contracted Services	13,056
	<hr/>
Total Highways and Streets	13,056
Insurance	3,348
	<hr/>
Drains	1,405
	<hr/>
Total Expenditures	<u>\$66,385</u>

The Notes to Financial Statements are an integral part of this statement.

Township of California
Tax Collection Fund
Balance Sheet
For the Year Ended March 31, 2005

ASSETS

Cash in Bank	<u>\$26,372</u>
Total Assets	<u><u>\$26,372</u></u>

LIABILITIES

Liabilities	
Due to General Fund	\$15,909
Due to Other Governmental Unit	<u>10,463</u>
Total Liabilities	<u><u>\$26,372</u></u>

Township of California
Combining Statement of Changes in Asset and Liabilities
Tax Collection Fund
For the Year Ended March 31, 2005

	<u>Balance</u> <u>April 01, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>March 31, 2005</u>
ASSETS				
Cash	<u>\$14,741</u>	<u>\$408,105</u>	<u>\$396,474</u>	<u>\$26,372</u>
Total Assets	<u><u>\$14,741</u></u>	<u><u>\$408,105</u></u>	<u><u>\$396,474</u></u>	<u><u>\$26,372</u></u>
LIABILITIES				
Due to General Fund	<u>\$14,741</u>	<u>\$15,909</u>	<u>\$14,741</u>	<u>\$15,909</u>
Due to Other Governmental Units	<u>0</u>	<u>392,196</u>	<u>381,733</u>	<u>10,463</u>
Total Liabilities	<u><u>\$14,741</u></u>	<u><u>\$408,105</u></u>	<u><u>\$396,474</u></u>	<u><u>\$26,372</u></u>

Phone (269) 651-4225
Fax (269) 651-1989

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Township Board
California Township
Branch County, Michigan

We have audited the general purpose financial statements of the California Township, as of and for the year ended March 31, 2005, and have issued our report thereon dated September 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the California Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

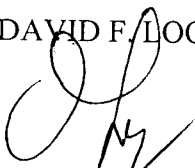
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the California Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DAVID F. LOCEY, C.P.A., P.C.

A handwritten signature in black ink, appearing to read 'D. Lochey', is written over the printed name.

Sturgis, Michigan
September 2, 2005

(269)-651-4225 Phone
(269)-651-1989 Fax

COMMENTS AND RECOMMENDATIONS

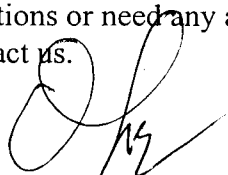
Township Board
Township of California
Branch County
Montgomery, MI 49255

During the course of examination of your records for the year ending March 31, 2005, we came across the following findings:

1. The unit of government needs to maintain a self-balancing general ledger, presently there are no year to date balances kept on any of the funds.
2. Cash disbursements journal, checks were detailed for the year but were not categorized or summarized. Without this, the unit of government has no way of knowing if they are beyond budget or not.
3. Deposits- a more detailed record of deposits must be kept identifying the source of funds. We had trouble determining some deposits as there were instances where numbers were combined.
4. Budgeting- as a result of no year to date totals were several instances where line items budgets were exceeded. End of year to date totals needs to be established so the unit of government knows if they need to be amending an originally adopted budget.

These same recommendations were in the 2003 year end letter and never done.

We appreciated the opportunity of being of service to your township and if you have any questions or need any assistance in implementing these recommendations please feel free to contact us.



David F. Locey, C.P.A., P.C.
September 2, 2005